

701—34.10(423) Exempt and taxable purchases of vehicles for taxable rental. If a vehicle subject to registration is purchased for rental, and the gross receipts from that rental will be taxable, the purchase price of this vehicle is not exempt from use tax except under the circumstances set out in rules 701—32.11(423) and 32.12(423).

The purchase for rental is not a purchase of tangible personal property for resale because a lease or rental of tangible personal property is not a sale: *Cedar Valley Leasing, Inc. v. Iowa Department of Revenue*, 274 N.W.2d 357 (Iowa 1979); and the exemption allowed from tax for the use in Iowa of tangible personal property to be rented is not applicable to the use tax on motor vehicles because excluded from that exemption are vehicles subject to registration. See Iowa Code sections 422.45(18), 423.4(4), 423.4(14), 423.4(15), and 423.4(16).

This rule is intended to implement Iowa Code sections 422.45(2), 422.45(18), 423.4(4), and 423.4(16) as amended by 1996 Iowa Acts, chapter 1125, and Iowa Code chapter 422C.